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ABSTRACT

This booklet outlines the steps that postsecondary institutions must take to maintain their eligibility for federal student financial aid, discussing state and federal review requirements and the role of the State Postsecondary Review Entity (SPRE) Program. It reviews the compliance requirements for institutions utilizing Title IV federal financial aid programs (such as Pell Grant, Perkins Loan, and work-study programs) and the conditions that may trigger a state review of an institution's eligibility. Seven new regulations were promulgated by the 1992 Higher Education Act Amendments, governing annual audit requirements, financial standards, 4-year reviews, restrictions for institutions with vocational programs, reporting requirements for branch campuses, program length, and satisfactory academic progress. The booklet also describes the SPRE Program, a new federal-state partnership for the review of institutions that show signs of abuse of Title IV programs. An appendix lists the designated SPREs for all 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. (MDM)

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for
The American Council On Education

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Prepared by

THE INSTITUTE for Higher Education Policy
for
The American Council On Education

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American Council on Education
One Dupont Circle
Washington, DC 20036

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SECTION I

INTRODUCTION & ACCREDITATION

During the last decade, federal regulation of financial aid programs has moved well beyond accounting for resources into greater governmental intervention into all aspects of college and university financial, administrative, and academic life. As a result, the federal regulatory maze has grown in scope and complexity. In 1992, the regulations covering Title IV[1] federal financial aid programs contained more than 7,000 sections, many of them duplicative of or in conflict with other sections, implemented in a regulatory process that confounds even the most diligent efforts at accountability. Between August 1, 1992 and September 1, 1993, the Department of Education sent 171 "Dear Colleague" letters to campus aid offices, each with some new directive from the federal government. Furthermore, the linkage between the government and the campus is with the financial aid office—appropriate enough for regulations that deal with the aid programs, but increasingly inadequate as the regulations address issues of program length, degree requirements, student recruitment and placement, and institutional finances.

The institutional risks of non-compliance with federal regulations were increased significantly by the passage of the Higher Education Act Amendments of 1992, for which implementing regulations went into effect on July 1, 1994. The law contains a major new section, Part H

[1]Title IV covers most federal programs, including Pell Grants, early intervention programs, TRIO, Student Loans, SSIG, SEOG, work-study, and Perkins Loans.

"Program Integrity," designed to increase "accountability" for financial aid programs through a regulatory rubric that links the federal government, states, and accreditation. Not only does this new system increase exponentially the regulatory and reporting requirements for institutions of higher education, it exposes them to far greater risk of governmental intervention in central institutional policies and procedures, including academic policies and procedures, that seem to go well beyond prudent administration of financial aid.

What institutions are affected under Part H?

Every college and university in the country will experience some new regulatory responsibilities.

The law probably will change—hopefully for the better—in the next few years. The higher education community has made the pursuit of changes in the law a high priority; the Clinton administration also has called for more "deregulation." Meanwhile, the administration will be enforcing the law, and Congress will hold both the Department of Education and the institutions accountable for compliance with the regulations.

The American Council on Education is committed to ensuring that its member presidents and their institutions have the most concise information possible about steps they must take to maintain eligibility for Title IV programs and to avoid expensive and non-productive haggles with the federal and state governments. The information contained in this guide is as non-technical as possible, and should be used to supplement the details in the regulations. It is not a substitute for advice from your attorney or financial aid administrator about the responsibilities your institution must meet to comply with the law.

There are three parts to these regulations:

1) the federal eligibility and certification regulations;

2) the accreditation regulations; and

3) the State Postsecondary Review Entity (SPRE) regulations.

Institutions will have different degrees of exposure to these requirements: all institutions will have to comply with the new federal regulations; all accrediting associations will have to conform to the new

regulations, and institutions may then have to adapt to changed accreditation standards or procedures; and institutions that are triggered for state review will have to comply with SPRE regulations.

Public and/or nonprofit, degree-granting colleges and universities that are not "triggered" for state review: Your major new compliance responsibilities will be with the new federal eligibility and certification regulations, including:

1) new annual audit requirements;
2) a new requirement for a comprehensive review once every four years to establish and/or maintain institutional eligibility;
3) a new standard of financial responsibility;
4) special restrictions that may apply to institutions with vocational programs;
5) special reporting requirements for institutions that add additional locations and branch campuses;
6) new requirements for program length; and
7) standards for satisfactory academic progress.

For details on the new federal mandates, go to Section II, Federal Review Requirements.

If your institution is triggered for state review: The law sets 10 "triggers" that will be measured by the federal government; any institution that hits even one of these "triggers" will be targeted for review by the states on federally mandated, but state-specific performance standards.

Institutions that are triggered for state review may actually be reviewed by the SPRE—depending on the trigger and where your institution fits in the review priorities set by your state SPRE. To learn where your institution fits in your state review priorities, contact your state SPRE. (See the Appendix.) However, if you are reviewed by the state, you will have to show how your institution meets state review standards. (See Section III, SPRE Program.)

Changes in accreditation standards and operating procedures: There are a number of federal mandates for new accreditation standards and operating procedures. The immediate impact of the changes in accreditation standards on your institution are likely to be minimal in the short term, however, since most of these standards and procedures already are in place in the regional accrediting associations. However, accreditors will be required to conduct unannounced "inspections" at least once in the accreditation cycle for all institutions that offer non-degree vocational programs, and they may have to become more involved in prior review and approval of new campuses or off-campus locations. To learn more about other changes that may affect your institution, we suggest you contact your institutional accrediting association.

FEDERAL SPRE TRIGGER CRITERIA

An institution that meets any of the following "triggers," specified in Title IV, Part H of the Higher Education Act Amendments of 1992, will be reviewed by the State Postsecondary Review Entity in their state:

- ❑ A default rate of 25 percent or higher
- ❑ A default rate of 20 percent or more and either more than two-thirds of students receiving federal student aid or two-thirds or more of education and general expenditures coming from federal student aid funds
- ❑ Two-thirds or more of a school's education and general expenditures coming from federal student aid funds
- ❑ A limitation, suspension, or termination action during the last five years
- ❑ A negative audit finding resulting in repayment of more than 5 percent of federal student aid funds
- ❑ A failure to submit audits to the Department of Education on time
- ❑ A significant year-to-year fluctuation (more than 25 percent) in federal student aid funds
- ❑ A change of ownership
- ❑ Failure to meet standards of financial responsibility
- ❑ Except for public institutions affiliated with a state higher education system, participation in federal student aid programs for fewer than five years
- ❑ A pattern of student complaints about the management of federal student aid or misleading advertising

Note: This is a condensed version of the statute, not legislative language.

SECTION II

FEDERAL REVIEW REQUIREMENTS

There are seven new regulations that Presidents should pay particular attention to:

1) new annual audit requirements;
2) changed financial standards;
3) four-year reviews to maintain eligibility;
4) special restrictions for institutions with vocational programs;
5) new reporting requirements for the addition of branch campuses or additional locations;
6) new requirements for program length; and
7) new standards of satisfactory academic progress.

Annual Audits

Every year, within four months of the end of the fiscal year, all Title IV eligible institutions must submit two types of audits to the federal government: financial statements and compliance audits. Annual financial statements are entirely new requirements; compliance audits have been required biennially in the past, and now are required every year. The financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles, and must be audited by an independent certified public accountant. The compliance audits are available from the Department of Education's Office of Inspector General, or in the Governmental Accounting Office's "Standards for Audits of Governmental Organizations, Programs, Activities, and

Functions." This publication is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. The Secretary of Education will analyze this information to determine if the institution meets the new standards of financial responsibility.

It is very important that institutions ensure that their audits are submitted to the Department on time—e.g., no later than four months after the close of the fiscal year. The federal government will use late audit reports—even if there is no other indication of program mismanagement—to trigger a state review, and to require provisional certification. Be sure to retain copies of records showing when you submit your audit; all correspondence should be sent through registered mail, with signed receipts required. The Secretary may grant extensions to the deadline if the institution so requests with "good cause." If it is impossible for you to get your audit in on time, write to the Secretary explaining your problem and request an extension.

Public institutions' audit requirements: Public institutions that report audits at the system rather than the campus level must show a positive unrestricted fund balance in the state's higher education fund, and must submit a statement from the state Auditor General that the institution has met all of its financial obligations and has sufficient resources to continue to meet its financial obligations.

Standards of Financial Responsibility

The law requires all institutions to demonstrate financial solvency by meeting an "acid-test" ratio of assets to liabilities of 1:1; different definitions of assets and liabilities are permitted for proprietary, nonprofit, and public institutions. All institutions must maintain a cash reserve fund equivalent to one-quarter of the student refunds paid in the previous fiscal year. Institutions must maintain a positive unrestricted fund balance (for nonprofits) or show a positive current balance in the state's higher education fund (for public institutions). Private nonprofit institutions must not have had operating deficits for both of the past two years that resulted in a 10 percent loss in either the unrestricted current fund balance

or the unrestricted net assets at the beginning of the first year of the two-year period.

Exceptions to the financial standards: There are some exceptions to the standards of financial responsibility that allow institutions that either clearly have the resources to dispense with further review or fail one of the "tests" to continue to participate in the program.

Bond market rating exception: Institutions that have been externally rated by a nationally recognized bond rating agency (such as Standard & Poors or Moody's) at or above the second highest rating level, and that submit information validating this rating to the Secretary of Education, will be able to dispense with further documentation of financial responsibility.

PROVISIONAL CERTIFICATION MEANS...

- ❑ 10 percent Letter of Credit (vs. the 50 percent Letter of Credit required for full certification)
- ❑ More frequent program reviews
- ❑ Annual review for recertification
- ❑ Reimbursement method for Title IV funding
- ❑ No appeals for Title IV termination
- ❑ Triggered for SPRE review

Letter of credit: An institution that fails one of the "tests" can still meet standards of financial responsibility by submitting a letter of credit payable to the Secretary equal to at least 50 percent of the Title IV funds received by the institution during the last complete award year. (Note: Institutions that put up the letter of credit for 50 percent of Title IV funds meet the full test of financial responsibility and are not "triggered" for state review and/or put on provisional certification.) Institutions also may remain in the program under "provisional certification" if they are not able or do not choose to get the 50 percent letter of credit by getting

PROGRAM PARTICIPATION CHECKLIST

- ❑ The duration of the agreement, and any special conditions for it;
- ❑ The campuses included in the agreement;
- ❑ The requirements for advance payments;
- ❑ A commitment by the institution to maintain administrative and fiscal records in the appropriate manner, and to submit these records on request to the Secretary, to the SPRE, to the guaranty agency, to the accreditation agency, and to the state licensure authority;
- ❑ A certification that the institution meets the test of financial responsibility;
- ❑ A certification that the institution meets the test of administrative capability;
- ❑ Special requirements for institutions that advertise job placement rates to provide information on employment statistics and state licensure pass rates;
- ❑ A commitment by the institution to inform students of the availability of state grant aid before they borrow;
- ❑ Institutions that admit students who are not regular high school graduates must commit to provide a program of study that allows these students to achieve high school equivalence;
- ❑ Institutions may not deny aid to students who are enrolled in study abroad;
- ❑ An agreement by the institution to enter into a loan default management plan if default rates exceed 20 percent;
- ❑ An agreement by the institution to authorize the Secretary, accreditors, guaranty agencies, and State Postsecondary Review entities to share relevant information about the institution;
- ❑ A promise by the institution not to knowingly employ persons who have pled guilty or nolo contendere to Title IV fraud;
- ❑ A commitment by the institution to participate in the Integrated Postsecondary Education Data System (IPEDS) program;
- ❑ A commitment by institutions that award athletically related aid to particular reporting of revenues in their athletics programs;
- ❑ A commitment by the institution not to fine students for late payment if late payment is caused by late federal aid checks;
- ❑ A promise by the institution not to contract with persons on a bonus or incentive payment basis;
- ❑ An agreement by the institution to meet accrediting standards, and SPRE standards if it is triggered for SPRE review;
- ❑ An agreement by the institution to implement the federal refund policy;

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PROGRAM PARTICIPATION CHECKLIST

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- ❑ A commitment by the institution to liability for unspent Title IV funds, including any that are paid to services;
- ❑ If the institution has programs whose objectives are to prepare students for employment, the institution must show a reasonable relationship between the length of the program and entry-level requirements for the occupation, and also must establish the need for training for students to obtain those jobs;
- ❑ An agreement by the institution to have campus security and drug enforcement policies in place, and to report annually about crime statistics.

a letter of credit worth 10 percent of Title IV funds. Provisional certification carries negative consequences for an institution; be familiar with those consequences before agreeing to provisional certification.

Precipitous closure statement: An institution that fails other tests may still meet standards of financial responsibility by showing the Secretary an independent auditor's statements that assert that the institution has sufficient resources to ensure against its precipitous closure. The regulations provide some detail of the kinds of evidence the Secretary will require to confirm such statements.

Past performance problems: If an institution meets other financial tests, it nonetheless can fail to meet the standards because of previous performance problems in the Title IV programs. An institution that has had to repay more than 5 percent of its Title IV funds; been cited during the last five years for failure to submit acceptable audits; or been subject to a limitation, termination, or suspension action in the last five years, will be found to fail standards of financial responsibility.

Recent experience suggests that the Department of Education doesn't yet have the capacity to evaluate these financial statements according to

the new regulatory requirements. In 1994, a number of colleges and universities received SPRE "trigger" letters citing failure to meet financial standards when those institutions in fact met those standards. Institutions that have deficits for one year, but not for two years, or that have letters of credit or performance bonds, may be getting "trigger" letters, when more careful analysis shows that those institutions actually meet the new standards. The regulations are so arcane that these evaluations require very careful review; do not be intimidated if you are informed that your institution has "failed" to meet a standard. Be sure to get specific information on exactly why the Department has reached the conclusion, and, if you do not agree with its analysis, think about appealing the decision.

Every Four Years: Review for Certification/Recertification to Establish Eligibility

The new law requires all institutions to undergo comprehensive federal review to establish Title IV eligibility. In the past, such detailed review was required only for new institutions or for those that had shown some history of problems in the program. Now, once every four years—or more often if the Secretary asks for it—an institution must document that it meets all Title IV eligibility and certification requirements. Institutions that pass these reviews then sign a new "Program Participation Agreement" with the Secretary for a maximum of four years, or shorter if the Secretary determines that is warranted.

What goes into the Program Participation Agreement? The Program Participation Agreement (PPA) amounts to a contract between the institution and the federal government and includes the full range of federal Title IV standards that an institution must meet. (See Program Participation Checklist.)

Planning for recertification: Institutions should not wait until they receive a recertification notice to start preparing for the process, since the Department of Education will give only three months notice before the

paperwork has to be completed. You should conduct a preliminary review of the recertification requirements and make whatever changes may be necessary, so that the institution can complete the application once it receives federal notification.

Provisional Certification: The Secretary of Education may allow institutions to participate in Title IV programs under a new status called "provisional certification," if the institution does not qualify for certification without limitations.

CRITERIA FOR PROVISIONAL CERTIFICATION

- ❑ The institution is seeking Title IV eligibility for the first time;
- ❑ The institution has changed ownership and control;
- ❑ The institution fails to meet standards of administrative or financial capability;
- ❑ The institution has been limited or suspended, or voluntarily seeks provisional certification;
- ❑ The institution's program participation agreement has expired; or
- ❑ The institution's accrediting agency has had its federal recognition withdrawn.

Provisional Certification and Letter of Credit: For institutions that fail standards of financial responsibility, but qualify for a Letter of Credit, provisional certification allows the institution to get into Title IV with a Letter of Credit equal to only 10 percent of the Title IV funds, rather than the 50 percent required for full certification.

Consequences of Provisional Certification: While provisional certification allows institutions to participate in Title IV programs with a lower Letter of Credit than that required for full certification, it does carry negative consequences and institutions should not enter into it lightly. Provisional certification means that the institution will be subjected to more frequent program reviews and audits; will be reviewed

for recertification at least once a year; and can receive Title IV funding only on the "reimbursement" method, rather than in advance. Provisional certification also means that the Department of Education can revoke Title IV eligibility without any institutional appeal mechanisms.

Perhaps most important, an institution that qualifies for Title IV funding through provisional certification because of "failure" to meet standards of financial responsibility is triggered for SPRE review on that basis.

Special Standards for Vocational Programs

Congress imposed a number of restrictions on proprietary and vocational schools; some of these special requirements could extend to public and nonprofit institutions that have vocational programs. Community college administrators should pay particular attention to these standards and procedures. They will be enforced not only by the federal government, but also by states, through the postsecondary review program, and by accreditors. If you have vocational programs, the particular provisions that you should be aware of are:

Vocational Programs/Institutions:

Scope. Institutions that "advertise job placement rates as a means of attracting students" or that "state objectives to prepare a student for gainful employment in a recognized occupation" must collect information on job placements and show a "reasonable relationship" between the length of the program and the entry-level requirements for the occupation. Those that advertise job placements must show prospective students recent information about both employment statistics and institutional graduation rates to substantiate the truthfulness of their advertisements. They also must give students information on relevant state licensing requirements.

Institutions with a primary mission to prepare students for employment must be able to show the federal government that there is a "reasonable" relationship between the length of the

program and entry-level requirements for the occupation. The Secretary defines "reasonable" to mean no more than 50 percent longer than the minimum required for entry into the occupation.

SPRE standards. The law requires SPRE reviewers to review vocational and professional programs regarding the extent of market and job availability and the relationship between the institution's programs and state licensure standards. In addition, institutions with vocational and professional programs must document placement rates and, where appropriate, pass rates on state licensure examinations. Finally, institutions with vocational programs must be able to explain whether the tuition and fees for a given program are excessive given the amount of money that a student who completes the program may be expected to earn. If you have a vocational program and are triggered for SPRE review, you may have to document the basis on which you set your tuition and fees.

Unannounced site visits for accreditors. The new law requires all accrediting associations to conduct at least one unannounced site visit of "each institution that provides vocational education or training" during the course of the agency's accreditation period. The regulations define "vocational education or training" to be pre-baccalaureate education in programs classified by IPEDS as vocational. If you believe your institution falls into this category, you may want to contact your accrediting association to learn what procedures it plans to put in place to conform to this new requirement.

Special Reporting Restrictions for New Locations and Branch Offices

A number of new provisions require special notification and review by

both the federal government and the relevant accrediting association for the establishment of new locations and branch campuses. These provisions are particularly important for institutions with a number of "off-site" locations.

A branch campus is any location of an institution that is geographically apart from and independent of the main campus of the institution. A location is considered "independent" if it:

a) is permanent in nature;
b) offers courses in programs leading to a degree, certificate, or other recognized credential;
c) has its own faculty and administrative or supervisory organization; and
d) has its own budgetary and hiring authority.

Students enrolled at branch campuses may receive Title IV assistance only if those locations are included in the institution's program participation agreement. If an institution wants to ensure that Title IV eligibility extends to new branch campuses that offer at least 50 percent of an educational program at the location, it must notify the Department of Education and the institutional accrediting association of the addition of any branch campus no later than 10 days after the change occurs. The accrediting agency will need to conduct a review of a new branch campus, including both a review of the application and a site visit within six months of the establishment of the campus. The review must cover a review of a business plan for that campus that includes a description of the program, projected revenues, expenditures, and cash flow, and the operation, management, and physical resources at the campus.

New Requirements for Program Length

There are a number of new requirements for minimum program length that are aimed at short-term proprietary vocational programs but also affect collegiate institutions. For nonprofit and public collegiate institutions, the law requires a minimum full-time academic year of 30 weeks. There are provisions in the law that allow for waivers of the 30-week requirement for two- and four-year, degree-granting institutions with academic years

at least 26 weeks long. Institutions that are in the process of moving to a 30-week academic year must request a two-year waiver from the 30-week standard. Others that have at least a 26-week year and that do not plan to expand to 30 weeks must submit requests to the Secretary to waive the requirement.

The criteria the Secretary will "consider" in granting waivers are: unique circumstances; a history of prudent management of Title IV funds; and approval by the accrediting association that specifically speaks to the length of the academic year.

Standards of Satisfactory Academic Progress

The regulation contains new requirements that institutions maintain and enforce standards of satisfactory academic progress in order to ensure that students do not enroll in school indefinitely only to receive financial aid. These standards do not apply only to students receiving financial aid, but extend to the entire population; they are contained in the standard of "administrative responsibility" that will be evaluated by the federal government in the eligibility and certification review.

For an institution to meet the standards, it must have policies for satisfactory academic progress that:

1) conform to the standards of satisfactory academic progress of the recognized accrediting agency;
2) ensure that standards for students receiving Title IV assistance are the same as those that apply to other students;
3) include grades, work projects, and a statement of the maximum time frame within which students must complete their program; and
4) establish the maximum time frame in which students must complete their program at no more than 150 percent of the published length of time of the program—e.g., six years for a four-year baccalaureate program.

It is not clear how the government will measure and enforce the last provision. Language in the preamble to the regulation suggests that the measurement will be of enrolled, or equivalent, time to degree and not

calendar or elapsed time from matriculation to graduation. If this is the case, then institutions that serve part-time students who take longer than six years to graduate will not be penalized. Because of the importance of ensuring continuing collegiate access to nontraditional and part-time students, ACE recommends that institutions ensure that their policies on maximum time to degree measure progress in equivalent-enrolled, and not elapsed, time.

SECTION III

STATE POSTSECONDARY REVIEW ENTITY (SPRE) PROGRAM

The SPRE program is a new federal/state partnership for review of institutions that show signs of abuse of Title IV programs. The state review of institutions will be used only for institutions that are "triggered" by the federal government and are scheduled for review by the states. Because federal appropriations will not be sufficient to pay for reviews of all institutions that will be triggered, states must set priorities for SPRE review. They do not have to conduct reviews if there is not money to pay for them. Institutions that have only one trigger, in particular the single trigger of a late audit report, usually will be far down on the state's trigger list, and may never be reviewed.

States may not extend state review standards or SPRE review authority to all institutions unless they are specifically authorized to do so by state law. Unlike under the federal review standards that all institutions must meet, institutions do not have to revise their programs or collect new information against the event that they might one day be triggered for state review. If you are triggered and are scheduled for review, the regulations allow the institution reasonable time to collect the information necessary to meet state standards.

Notification of SPRE Triggers

The federal government will notify the institution through private, registered mail that the institution will be referred to the state SPRE for review, and will specify the federal trigger on which the referral is based.

SPRE REVIEW STANDARDS

- ❑ Accuracy and availability to students of catalogs, admissions requirements, course outlines, schedules of tuition and fees, policies regarding course cancellations, and the rules and regulations of the institution relating to students.
- ❑ Assurance that the institution can assess a student's ability to complete successfully the course of study for which s/he has applied.
- ❑ Assurance that the institution maintains and enforces standards relating to academic progress and maintains adequate student and other records.
- ❑ Compliance by the institution with relevant safety and health standards such as fire, building, and sanitation codes.
- ❑ The financial and administrative capacity of the institution as appropriate to a specified scale of operations.
- ❑ For institutions financially at risk, the adequacy of provisions to provide for the instruction and retention of students and the accessibility of academic and financial aid records of students in the event of institutional closure.
- ❑ If the stated objectives of the institution are to prepare students for employment, the relationship of the tuition and fees to the remuneration that can reasonably be expected by students who complete the course or program, and the relationship of the courses or programs (including the appropriateness of the length of the program) to providing the student with quality training and useful employment in the state.
- ❑ Availability to students of relevant information by institutions of higher education, including:
  - Information relating to market and job availability for students in occupational, professional, or vocational programs; and
  - Information regarding the relationship of courses to specific standards necessary for state licensure in specific occupations.
- ❑ The appropriateness of the number of credit or clock hours required for the completion of programs or the length of 600-hour courses.
- ❑ Assessing the actions of any owner, shareholder, or person exercising control over the educational institution.
- ❑ The adequacy of procedures for investigating and resolving student complaints.
- ❑ The appropriateness of advertising and promotion and student recruitment practices.
- ❑ That the institution has a fair and equitable refund policy to protect students.

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SPRE REVIEW STANDARDS

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- ❑ The success of the program at the institution, including:
  - The rates of the institution's students' program completion and graduation;
  - The withdrawal rate of the institution's students;
  - With respect to vocational and professional programs, the rates of placement of the institution's graduates in occupations related to their course of study;
  - Where appropriate, the rates at which the institution's graduates pass licensure examinations;
  - The variety of student completion goals, including transfer to another institution of higher education, full-time employment in the field of study, and military service.

Institutions that dispute the basis for the referral must appeal the trigger to the federal government within 30 days of receiving the notification. The appeal must be to the federal government, not to the SPRE. No sooner than 30 days after the institution has been notified of the trigger list, the entire list of triggered institutions will be sent by the federal government to the SPRE, the guaranty agency, and the relevant accrediting agency; the information also will be available to the public at this time.

In 1994, the first year the SPRE program was in place, the federal government sent out nearly 2,000 SPRE notices—many based on erroneous data—even though most states did not have review standards in place to allow the reviews to begin. This led to concern among many institutions that they had been unfairly stigmatized by the SPRE trigger, with no opportunity to resolve any issues in the review process. As a result, Congress placed new restrictions on the program to ensure that in the future, the Department does not send out trigger lists until the state review standards have been approved.

SPRE Review Standards

Federal law requires each state to review all institutions that are triggered on a minimum list of 14 standards. The states are free to develop these standards as they see fit at the individual state level; therefore, there will be variations among the states regarding the precise terms. The federal government does allow states to develop different standards for different types of institutions. The federal areas in which states must develop review standards are listed above.

The regulations require each state to consult with institutions before putting the review standards in place. In addition, most states require the standards to go through a regulatory review process. Although plans call for all states to have standards in place by the end of FY 1995, most states are some distance away from meeting that goal. To learn about the SPRE standards process in your state, including when those standards are expected to be in effect, you should make contact with your state SPRE. (See the Appendix.)

State Title IV Termination

Following review by the SPRE, the state must reach one of three decisions:

1) that the institution meets all standards and no further action is required;
2) that the institution fails some standards and is required to make some corrections over a certain period of time; or
3) that the institution's failure to meet state review standards is sufficient for the SPRE to conclude that the institution should be ineligible for federal student aid funding.

Note that an institution may fail one or more of the state review standards and nonetheless remain in the Title IV program; these decisions are up to the individual SPRE. If the state concludes that the institution should be removed from the Title IV program, all institutional appeals of that decision are made at the state level. Once the state forwards its recommendation to terminate Title IV eligibility to the federal government, under the law and the regulations there is no federal appeal.

If Your Institution Is "Triggered"

The information used by the federal government for trigger data—particularly measures of financial standards and default rates—are notoriously inaccurate. If your institution receives a "trigger" letter from the federal government, your first step should be to confirm whether the trigger is accurate. If you believe the information is not accurate, then you may appeal the trigger to the federal government; letters of appeal must be filed within seven days of receipt of the "trigger" notification.

If the trigger information is valid, then you should consult with your SPRE to learn the status of the review program, including whether review standards and procedures are in final form and have either been approved by the legislature or gone through necessary state regulatory procedures. In the first few years of the program, many states will not have their review standards or procedures in place.

If the SPRE standards and procedures are in place, then you should learn what the SPRE priorities for review are and get some sense of whether, or when, your institution will be reviewed.

Where To Go for More Information

Copies of the regulations can be obtained from the federal Department of Education. Also, many of the staff at the Department of Education can be helpful to you in answering questions about these regulations. Questions or concerns should be directed to the numbers shown below:

Accreditation and State Liaison:
Karen Kerschenstein 202/708-7417

State Postsecondary Review Program:
Ken Waters 202/708-7417

Institutional Eligibility:
Jack Reynolds 202/708-7417

Standards of Financial Responsibility:
Ron Selepak 202/708-7236

Appendix:
Listing of Designated
State Postsecondary Review Entities

Alabama
Alabama Commission on Higher Education
Dr. William Blow
205/281-1921

Alaska
Alaska Commission on Postsecondary Education
Sherry Jaeger
907/272-9818

Arkansas
Arkansas Department of Higher Education
Mary Beth Sudduth
501/324-9300

Arizona
Arizona Commission for Postsecondary Education
Dr. Edward Johnson
602/229-2590

California
California Postsecondary Education Commission
Karl Engelbach
916/322-7331

Colorado
Colorado Commission on Higher Education
Dr. Robert G. Moore
303/866-2723

Connecticut
Connecticut Department of Higher Education
Dr. Joseph Zikmund
203/566-4645

Delaware
Delaware Higher Education Commission
Dr. John F. Corrozi
302/577-3240

District of Columbia
Education Licensure Commission
Dr. Shirley Graham Evans
202/727-3511

Florida
Florida Department of Education
Stephannie B. Massey
904/488-7043

Georgia
Georgia Student Finance Commission
Dr. William Mangum
404/414-3000

Guam
University of Guam
Dee A.B. Johnson
671/734-9310

Hawaii
University of Hawaii
Dr. Doris Ching
808/956-8753

Idaho
State Board of Education
Robin Dodson
208/334-2270

Illinois
Illinois Student Assistance Commission
Wendy Rothenbach
708/948-8500 ext. 3302

Indiana
Commission on Higher Education
Dr. Kent Weldon
317/232-1900

Iowa
Iowa Coordinating Council for Post-High School Education
Dr. Robert J. Barak
515/281-3934

Kansas
The State of Kansas affirmatively seeks legislative authority to designate a SPRE

Kentucky
Kentucky Council on Higher Education
Debbie McGuffey
502/564-3553

Louisiana
Louisiana Postsecondary Review Commission
Dr. Sally Clausen
504-342-0998

Maine
Maine Department of Education
Dr. Fred Douglas
207/287-5803

Maryland
Maryland Higher Education Commission
Dr. Ronald Phipps
410/974-2971

Massachusetts
The Commonwealth of Massachusetts
Michael S. Noetzel
617/727-7785 ext. 204

Michigan
Department of Education
Dr. Robert E. Schiller
517/373-3354

Minnesota
Minnesota Higher Education Coordinating Board
Dr. Paul F. Thomas
612/296-9693

Mississippi
Trustees of State Institutions of Higher Learning
Dr. Milton Baxter
601/982-6296

Missouri
Missouri Coordinating Board of Higher Education
Dr. Leroy Wade
314/751-2361

Montana
Montana Board of Regents for Higher Education
William Lannan
406/444-0351

Nebraska
Coordinating Commission for Postsecondary Education
Dr. Bruce G. Stahl
402/471-2847

Nevada
Board of Regents
Dr. John A. Richardson
702/784-4905

New Hampshire
New Hampshire Postsecondary Education Commission
Dr. James A. Buselle
603/271-2695

New Jersey
New Jersey Department of Higher Education
Amorita Suarez
609/292-2955

New Mexico
New Mexico Commission on Higher Education
Dr. Bruce D. Hamlett
505/827-7383

New York
New York State
Education Department
Mike Van Ryn
518/474-3896

North Carolina
State Postsecondary Eligibility
Review Commission
Linda McCulloch
919/733-4240

North Dakota
North Dakota University
System Office
Dr. Larry Isaak
701/224-4114

Northern Mariana
Commonwealth of Northern
Mariana Islands
Juan L. Bebauta
202/673-5873

Ohio
Ohio State Postsecondary
Review Entity
Tahlmann Krumm
614/644-0872

Oklahoma
State Regents for Higher Education
Dr. Joe Hagy
405/524-9154

Oregon
Office of Educational Policy
and Planning
Dr. David Young
503/378-3921

Palau
Masa-Aki N. Emosiochl
680/488-2830

Pennsylvania
Commonwealth of Pennsylvania
Department of Education
Dr. Jane Stockdale
717/787-2414

Puerto Rico
Puerto Rico Council
on Higher Education
Dr. Ismael Ramirez-Soto
809/758-3350

Rhode Island
State of Rhode Island Office
of Higher Education
Dr. Cynthia V.L. Ward
401/277-6560 ext. 134

Samoa
Kataferer P. Elisara
684/699-9155

South Carolina
South Carolina Commission
on Higher Education
Dr. John Sutusky
803/253-6260

South Dakota
South Dakota Board of Regents
Dr. Howell Todd
605/773-3455

Tennessee
Tennessee Higher Education
Commission
Dr. Arliss L. Roaden
615/741-7562

Texas
Texas Higher Education
Coordinating Board
Dr. William H. Sanford
512/483-6200

Utah
Utah System of Higher Education
Dr. Don Carpenter
801/538-5229

Vermont
Vermont Higher Education Council
Susan Englese
802/878-7466

Virginia
Council of Higher Education
Dr. Michael Mullen
804/225-2610

Virgin Islands
University of the Virgin Islands
Paul Leary
809/776-0503

Washington
Higher Education Coordinating Board
Dr. Cedric Page
206/586-5701

West Virginia
Central Office
State College and University Systems
of West Virginia
Dr. Joseph W. Corder, Jr.
304/558-0263

Wisconsin
Higher Educational Aids Board
Valorie T. Olson
608/267-2206

Wyoming
Wyoming Department of Education
Dr. Leeds Pickering
307/777-6265

AMERICAN
COUNCIL ON
EDUCATION

BEST COPY AVAILABLE